

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Friday, January 28, 2000, 9:30 a.m.

Utah Association of Counties Building
5397 South Vine Street, Murray, UT

A G E N D A

9:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of October, November & December Minutes	Gary Herbert
	2000 General Budget Amendments	Brett Rich
	Drafted Rent Options	Brent Gardner
	Additional County Exposure Mid-Year	Brett Rich
	Director's Report	Brett Rich
	Broker Report	Rich Stokluska
	Fourth Quarter Broker Evaluation	Brett Rich
11:30	Lunch Break	
	Loss Control Manager's Report	Shawn Guzman
	Summary of Financial Statements	Brett Rich
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
1:30	Adjourn	

UACIM BOARD OF TRUSTEES MEETING MINUTES

January 28, 2000, 9:30 a.m.
Utah Association of Counties Building

BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner
Dan McConkie, *Vice President*, Davis County Commissioner
Sarah Ann Skanchy, *Secretary-Treasurer*, Cache County Council Member
Ken Bischoff, Weber County Commissioner
Ty Lewis, San Juan County Commissioner
Royal Norman, Box Elder County Commissioner
Tex Olsen, Sevier County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney

BOARD MEMBERS ABSENT

Chad Johnson, Beaver County Commissioner
Kent Petersen, Emery County Commissioner

OTHERS PRESENT

Brent Gardner, UAC Executive Director
Brett Rich, Director, UACIM
John Chino, GRMS Account Executive

CALL to ORDER

Dan McConkie called the meeting to order prior to the arrival of Gary Herbert.

REVIEW of BOARD MEMBERS ABSENT

Kent Petersen and Chad Johnson requested to be excused from this meeting. Ty Lewis made a motion to excuse these Board Members from this meeting. Ed Phillips seconded the motion, which passed unanimously.

APPROVAL of MINUTES

Sarah Ann Skanchy noted that on page two of the October 7, 1999 minutes, under *Discussion of 2000 Member Coverage Agreement*, the word *suite* needs to be corrected to *suit*. On page three, under *November Membership Meeting Agenda*, the word *make* needs to be corrected to *made*. On page one of the December 29, 1999 minutes, correct Dan McConkie as *Secretary-Treasurer* to *Vice President*. Ed Phillips made a motion to approve the October 7, 1999 minutes as corrected, the November 17, 1999 minutes as written, the December 3, 1999 minutes as written and the December 29, 1999 minutes as corrected. Dan McConkie seconded the motion, which passed unanimously.

Tex Olsen requested an update from Brett Rich regarding the meeting scheduled with Wasatch County as discussed in the Director's Report at the October Board of Trustees meeting. Brett reported that pursuant to the continued membership decision by Wasatch County a coverage comparison chart was prepared for the Commissioners showing the differences in coverages and deductibles between UACIM and other bidders. The scheduled meeting was cancelled but Brett met with the Commission at the November membership meeting, answered their questions and was assured that they are pleased with the coverage and services provided by the Mutual.

2000 GENERAL BUDGET AMENDMENTS

The amendments to the 2000 General Budget were tabled from the December 3 meeting until the Board decided on a property carrier and until a decision on the RFP by Salt Lake County was made. In the December 29 telephonic conference, the Board decided to stay with Reliance and Salt Lake County awarded their OCIP to another broker. Brett Rich explained that in working with the UACIM actuary, it is advised that the Board add a line item to the budget for *Loss Adjustments for Previous Years*. The budgeted amount will be \$0.00 at this time but the item is needed as a matter of disclosing that there is a possibility that the actuary may make an adjustment on the reserves. Also, the budget does not have a line item for the debenture payment(s). The Annual Statement is due in March but Brett will have an amount for the debenture line item at the next meeting. The Board will amend the budget at the February meeting.

ADDITIONAL COUNTY EXPOSURE MID-YEAR

Brett Rich explained that the Mutual has not been assessing any premiums for exposures added mid-year unless a purchased/built property is valued at \$5 million or more. Recently some members have assumed the operations of special districts adding additional exposures that were not reported at renewal. Ty Lewis made a motion directing Brett to draft a policy statement that a member assuming the operations of an entity mid-year can either keep the existing coverage provided for the entity until renewal or a premium will be calculated by the Mutual using the Board adopted formula. Ed Phillips seconded the motion, which passed unanimously. The policy statement will be presented to the Board at the next meeting for approval.

DIRECTOR'S REPORT

MEDICAL MALPRACTICE Brett Rich reported that pursuant to Board decision, he applied for an amended Certificate of Authority with the Insurance Department to include Medical Malpractice and transferred \$300,000 to the restricted account as surplus required to provide this coverage. The Insurance Commissioner accepted the Mutual's application and issued the Certificate of Authority.

INVERSE CONDEMNATION Brett recommended to the Board that they seriously consider adding Inverse Condemnation coverage to the Coverage Agreement by way of endorsement. Counties who allow their officials/employees to continually attend comprehensive land use training will qualify for coverage under this endorsement. By adding this coverage, the Mutual will eliminate the confusion and many problems associated with these land use issues experienced by the Mutual since its inception. The Board directed Brett to complete a proposal for consideration with research and analysis of the Mutual's land use exposures and their effects on the loss fund, claims that can be expected in the future and the willingness of Signet Star to provide reinsurance.

SB 35 GOVERNMENT IMMUNITY AMENDMENTS Brett reported that Governmental Immunity legislation has been filed again this session. Many meetings have been held with the intention of drafting compromising language. Among other changes, the amended bill includes increasing the cap to \$500,000/\$1,000,000, changing the four-year statute of limitations for federal claims to two-years, a shorter tail for injuries to minors and a cost increase of bond fillings required by plaintiffs. If SB 35 passes it will take affect July 2001. Ty Lewis made a motion to support the compromised form (redraft) of SB35. Tex Olsen seconded the motion, which passed unanimously. Gary Herbert directed Brett to provide him with the details of this compromise to present to the UAC Legislative Committee.

BROKER'S REPORT

RELiance FINANCIAL POSITION UPDATE As directed by the Board, John Chino reported on the financial position of the Mutual's reinsurer, Reliance. A settlement in the amount of \$100,000,000 was reached last week between Reliance and a Workers Compensation pool. Previous reports indicated that Reliance may be responsible for \$500,000,000. Therefore, this settlement is considered an encouraging indication for Reliance within the insurance industry.

ALTERNATIVE AUTOMOBILE PROGRAM John reviewed a quote, for the alternative automobile program for high-risk drivers who are excluded from the Coverage Agreement, from Progressive Northwestern Insurance Company (see attachment number 1). Arthur J. Gallagher is not a preferred agent with Progressive so they have no leverage as to who they will or wont accept into the program. Initially, Hartford was going to write this program for the Mutual but they have now decided against it. During the test conducted on five county drivers, Hartford quoted an average of \$5700 per driver per year. Progressive came back much lower at approximately \$3000 per driver per year. Pursuant to the Coverage Agreement the initiation date of this program is June 1. The Board directed John to request that Progressive increase the physical damage deductible to coincide with the Mutual's \$1000 deductible. John will have the program information and applications ready for UACIM staff to provide to the members prior to June 1.

SALT LAKE COUNTY RFP John explained that the OCIP proposal for Salt Lake County was not provided to the Mutual in a timely manner and therefore was not accepted when Brett Rich made the delivery. John apologized to the Board, Brent Gardner and Brett for this mistake. Brett explained that Salt Lake County had granted the Mutual a two-week extension, but that the proposal was five minutes late and not accepted. The Mutual has worked hard to gain a relationship with Salt Lake County but has now lost credibility with them.

FOURTH QUARTER BROKER EVALUATION

Brett Rich reviewed with the Board the Performance Measurement criteria, which measures whether Arthur J. Gallagher & Company is eligible for quarterly bonus (see attachment number 2). First item was not applicable in the fourth quarter. Second item was performed/completed as required with the binding of property and D&O coverage. Third item was performed/completed with the alternative automobile program. Fourth item was performed/completed with the necessary negotiations on the property and D&O policies. Fifth item was not performed satisfactorily with the untimely proposal for Salt Lake County. Sixth item was not applicable for the fourth quarter. Seventh item was not met satisfactorily because there was no representation at the December meeting wherein several items needed to be presented by the broker. Eighth item was met with the attendance of both John and Rich at the November membership meeting. The ninth through twelfth items have been met. The thirteenth item was not applicable for the fourth quarter. The fourteenth item was met during the fourth quarter.

Board members were divided in the seriousness of the items that were not met during the fourth quarter. Ken Bischoff made a motion approving a \$1000 broker performance bonus for the fourth quarter. Ty Lewis seconded the motion, which passed 6-3. Opposing votes from Royal Norman, Sarah Ann Skanchy and Kent Sundberg.

LOSS CONTROL MANAGER'S REPORT

1. Shawn Guzman announced the dates of the 2000 Personnel Workshop—May 11-12 at Ruby's Inn in Garfield County. As suggested by the Board, the Personnel Committee raised the registration fee to \$45.
2. For the 1999 policy year, 13 counties received risk management premium credits—Box Elder, Cache, Davis, Duchesne, Emery, Grand, Juab, Kane, Millard, Sanpete, Sevier, Utah and Washington, for a total of \$42,570. Sarah Ann Skanchy made a motion allowing a 3% maximum risk management premium credit for the 2000 policy year. Ty Lewis seconded the motion, which passed unanimously.
3. Shawn conducted training at the Duchesne County Jail. Problems between inmates and staff have become rampant Nationally, especially in private jail facilities, and some member counties are experiencing the same problems. If Utah allows for a private prison to be built, Shawn highly recommends that counties not look to a private facility as a means to relieve overcrowding.
4. Shawn's goal is to meet with each county's Safety Committee this year. He has already met with Box Elder and Emery Counties' Committees and has scheduled Weber and Grand for February.
5. Shawn has been working with the jail commanders to draft a sample grievance policy. This is now complete and each jail commander has the sample policy on disk. Shawn is confident that each can adopt an official grievance policy customized for their county.
6. The Defensive Driving Courses have been updated this year and Shawn has been attending training for the trainer. Class sizes are required to be no more than 30 for a four-hour course. URMMA has requested to combine the cities' training with the counties' so that the instructors are not spread so thin. Tex Olsen made a motion authorizing UACIM to partner with URMMA on Defensive Driving Courses. Ken Bischoff seconded the motion, which passed unanimously.
7. The Utah Sheriffs Association has put together a request for proposal for medical care in jail facilities. It is not mandatory to participate but most of the counties are—especially the rural counties. The counties must provide adequate medical care to inmates.
8. Shawn attended the Defense Research Institutes Annual Workshop in New Orleans. He had the opportunity to attend several beneficial classes in the areas of liability, discrimination, ADA and FLSA. New court rulings in FLSA will be the main focus at the Personnel Workshop in May.

SUMMARY of FINANCIAL STATEMENTS

Brett Rich reviewed the November Financial Statements with the Board. Page three shows a decrease of \$12,801 in the admitted assets from the October statements. Total surplus increased from October to November by \$164,748 for a total of \$3,674,709. Brett received a draft of the December Statements this morning and reviewed the preliminary numbers with the Board. Prior years do affect the surplus in the Annual Statement. Therefore, surplus is going to be higher in the Annual Statement than in the December

Financial Statements because IBNR's are recouped from previous years. Investment income on page four went up from October to November \$37,000 for a total of \$403,053. Investment income for December is \$441,615. The Net Income figure for November is up \$106,000 for a total of \$423,155. Net Income in December increased to \$493,507. The Mutual budgeted only \$364,079 for Net Income. On page five, surplus from October to November was up \$336,000—total month ending December is \$3,783,278. On page ten the non-admitted assets decreased from October to November by \$58,000 for a total of \$83,344 and from November to December decreased \$45,127.

DRAFTED RENT OPTIONS

Brent Gardner reported that he has set a meeting with the UAC Executive Board and members of the UACIM Board of Trustees—Gary Herbert, Dan McConkie, Tex Olsen, Sarah Ann Skanchy and Kent Sundberg for February 10, 2:00 p.m. in the Roundhouse at the Capitol to draft rent options for UACIM. Brent will give a report at the next meeting.

SET DATE and TIME for CLOSED MEETING

Dan McConkie made a motion to set the date and time for a closed meeting to begin at 1:16 p.m. on January 28, 2000, to discuss pending or reasonably imminent litigation. Tex Olsen seconded the motion, which passed unanimously.

Royal Norman made a motion to conclude the closed meeting at 1:35 p.m. January 28, 2000. Dan McConkie seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

No actions or authorizations were made regarding litigation matters.

OTHER BUSINESS

The Board directed Brett to pursue another program to cover special districts.

The next meeting of the Board of Trustees will be held on Friday, February 25, 2000 at 9:30 a.m. at the Utah Association of Counties building.

Approved on February 25, 2000



Sarah Ann Skanchy, UACIM Secretary-Treasurer
Cache County Council Member

UTAH ASSOCIATION OF COUNTIES

AUTOMOBILE

CARRIER	PROGRESSIVE NORTHWESTERN INS. CO.. – BEST'S RATING A++XIV	
LIMITS		
BODILY INJURY/PROPERTY DAMAGE	\$250,000	EACH PERSON
	\$500,000	EACH ACCIDENT
	\$100,000	PROPERTY DAMAGE – EACH ACCIDENT
UNINSURED/UNDERINSURED MOTORISTS BODILY INJURY	\$250,000	EACH PERSON
	\$500,000	EACH ACCIDENT
PERSONAL INJURY PROTECTION	\$3,000	EACH ACCIDENT
PHYSICAL DAMAGE DEDUCTIBLES	\$500	COMPREHENSIVE
	\$500	COLLISION
EXCLUSIONS	PER CARRIER FORM	

Procedures to obtain coverage through Progressive program:

- 1) Complete Progressive application (copy attached);
- 2) Submit application to Arthur J. Gallagher & Co.

**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2000 RISK MANAGEMENT PROPOSAL**

PERFORMANCE MEASUREMENT

In addition to the basic fee for services, Arthur J. Gallagher & Co. is eligible for bonuses of up to \$20,000 for the 2000 program year.

Arthur J. Gallagher & Co.'s performance shall be measured at the end of each quarter, using the following criteria:

- Review, analyze, and provide recommendations to UACIM regarding deductibles, self-insured retentions, loss funds, and program structures.
- Bind coverage on behalf of UACIM as required.
- Provide alternative quotations on ancillary coverages as requested by UACIM.
- Act as representative of UACIM in matters relating to UACIM's excess insurance and/or reinsurance.
- Assist in marketing the UACIM program to other Utah counties.
- Assist in the analysis and comparison of various proposals/quotations submitted to UACIM members by competing brokers.
- Participate, when invited, in monthly UACIM Board of Directors meetings.
- Participate in all full membership meetings.
- Review, analyze, and respond to UACIM questions pertaining to coverage or servicing issues.
- Return all phone calls within 24 hours.
- Review policies, endorsements, and certificates for accuracy. Request changes as needed.
- Quote, bind, and process bonds as needed.
- Act as an intermediary, when requested, between the Utah Department of Insurance and the UACIM.
- Assist the UACIM staff with members' concerns, questions, or general service issues.

Arthur J. Gallagher & Co. will be eligible for up to 25% of the annual bonus, or \$5,000, at the end of the quarter. Performance bonuses will be billed no later than 30 days after the end of each quarter.



